

SENATE, No. 3005

STATE OF NEW JERSEY 213th LEGISLATURE

INTRODUCED NOVEMBER 23, 2009

Sponsored by:

Senator BARBARA BUONO

District 18 (Middlesex)

Senator THOMAS H. KEAN, JR.

District 21 (Essex, Morris, Somerset and Union)

Co-Sponsored by:

Senator B.Smith

SYNOPSIS

Allows gross income tax deductions for contributions to the New Jersey Better Educational Savings Trust (NJBEST) Program.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT allowing gross income tax deductions for contributions to
2 the New Jersey Better Educational Savings Trust (NJBEST)
3 Program, supplementing Title 54A of the New Jersey Statutes
4 and amending P.L.1997, c.237.

5
6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

8
9 1. (New section) A taxpayer shall be allowed a deduction from
10 the taxpayer's gross income for the taxable year in the amount of the
11 taxpayer's contribution for the taxable year to one or more accounts
12 established pursuant to the "New Jersey Better Educational Savings
13 Trust (NJBEST) Program," (N.J.S.18A:71B-35 et seq.); provided
14 however, that the deduction allowed for a taxable year shall not
15 exceed \$10,000 for a taxable year for married individuals filing a
16 joint return for federal tax purposes and shall not exceed \$5,000 for
17 a taxable year for married individuals filing separately or for
18 unmarried individuals.

19
20 2. Section 13 of P.L.1997, c.237 (C.54A:6-25) is amended to
21 read as follows:

22 13. a. Gross income shall not include earnings on an education
23 **individual retirement** savings account or a qualified **State**
24 tuition program account until the earnings are distributed from the
25 account, at which time **they** the amount of the distribution
26 attributable to earnings on the account and the amount of the
27 distribution attributable to contributions allowed as a deduction
28 pursuant to section 1 of P.L. , c. (C.) (now pending before
29 the Legislature as this bill) shall be includible in the gross income
30 of the distributee except as provided in this section.

31 b. Gross income shall not include qualified distributions as
32 defined in paragraph (3) of subsection c. of this section.

33 c. For purposes of this section:

34 (1) "Education **individual retirement** savings account" means
35 an education **retirement** savings account as defined pursuant to
36 paragraph (1) of subsection (b) of section 530 of the federal Internal
37 Revenue Code of 1986, 26 U.S.C. s.530.

38 (2) "**Qualified State tuition** Tuition program account" means
39 an account established pursuant to the "New Jersey Better
40 Educational Savings Trust (NJBEST) Program," (N.J.S.18A:71B-35
41 et seq.), an account established pursuant to the "New Jersey Prepaid
42 Higher Education Expense Program," P.L.2001, c.262 (C.18A:71B-
43 64 et seq.) or an account established pursuant to any **qualified**
44 **State** tuition program **], as defined pursuant to]** established in

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 compliance with subsection (b) of section 529 of the federal
2 Internal Revenue Code of 1986, 26 U.S.C. s.529 or a tuition credit
3 or certificate purchased pursuant to any such program.

4 (3) "Qualified distribution" means any of the following:

5 (a) a distribution from a **【qualified State】** tuition program
6 account that is used for qualified higher education expenses as
7 defined pursuant to paragraph (3) of subsection (e) of section 529 of
8 the federal Internal Revenue Code of 1986, 26 U.S.C. s.529;

9 (b) a rollover from one account to another account as described
10 in clause (i) of subparagraph (C) of paragraph (3) of subsection (c)
11 of section 529, if applicable, or paragraph (5) of subsection (d) of
12 section 530 of the federal Internal Revenue Code of 1986, 26
13 U.S.C. s.529 or 530;

14 (c) a change in designated beneficiaries of an account as
15 described in clause (ii) of subparagraph (C) of paragraph (3) of
16 subsection (c) of section 529 or paragraph (6) of subsection (d) of
17 section 530 of the federal Internal Revenue Code of 1986, 26
18 U.S.C. s.529 or 530;

19 d. The portion of a distribution from an education **【individual**
20 **retirement】** savings account or a **【qualified State】** tuition program
21 account that is attributable to earnings and to contributions allowed
22 as a deduction pursuant to section 1 of P.L. , c. (C.) (now
23 pending before the Legislature as this bill) shall be determined in
24 accordance with the principles of section 72 of the federal Internal
25 Revenue Code of 1986, 26 U.S.C. s.72, as applied for purposes of
26 sections 529 and 530 of the federal Internal Revenue Code of 1986,
27 26 U.S.C. ss.529 and 530.
28 (P.L.2001, c.262, s.21)
29

30 3. This act shall take effect immediately and section 1 shall
31 apply to contributions made or costs incurred for taxable years
32 beginning after enactment.
33
34

35 STATEMENT

36
37 This bill allows a gross income tax deduction for amounts
38 contributed to the New Jersey Better Educational Savings Trust
39 (NJBEST) Program.

40 NJBEST is New Jersey's IRS Section 529 qualified college
41 savings program. Federal tax law allows contributions of federally
42 taxed income to accounts established for the beneficiaries' qualified
43 higher education expenses. Account investment earnings are not
44 federally taxed until withdrawn, and if the earnings are used for
45 qualified higher educational expenses they are never taxed.
46 Currently, New Jersey matches those federal tax advantages.
47 Additionally, New Jersey currently allows \$25,000 of NJBEST
48 college savings to be excluded from a financial need evaluation of

S3005 BUONO, T. KEAN

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1 the student, and awards students who pursue higher education in
2 New Jersey a scholarship of up to \$1,500 for participating in the
3 program. This bill provides further incentives for college savings.

4 This bill allows a gross income tax deduction of up to \$10,000
5 annually for married couples filing jointly, \$5,000 annually for
6 other taxpayers, for contributions to one or more NJBEST accounts.